

NewSchools Fund and Subsidiary
dba NewSchools Venture Fund

Consolidated Financial Statements

December 31, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NewSchools Fund and Subsidiary
dba NewSchools Venture Fund
Oakland, California

We have audited the accompanying consolidated financial statements of NewSchools Fund and Subsidiary dba NewSchools Venture Fund (a California nonprofit public benefit corporation) ("NewSchools"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NewSchools Fund and Subsidiary dba NewSchools Venture Fund as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited NewSchools Fund and Subsidiary dba NewSchools Venture Fund's 2019 consolidated financial statements, and our report dated May 15, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

April 15, 2021

NewSchools Fund and Subsidiary
 dba NewSchools Venture Fund
 Consolidated Statement of Financial Position
 December 31, 2020
 (With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 38,160,981	\$ 2,081,473
Investments	32,621,215	43,136,989
Contributions and other accounts receivable	758,373	83,920
Prepaid assets	130,630	249,046
Total current assets	71,671,199	45,551,428
Other assets		
Property and equipment, net	121,230	140,573
Mission related investments	326,002	1,717,190
Investment in NewSchools Seed, L.P.	7,594,392	8,477,229
Other assets	30,000	30,000
Total other assets	8,071,624	10,364,992
Total assets	\$ 79,742,823	\$ 55,916,420
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,504,522	\$ 341,633
Grants payable	-	212,500
Accrued salaries and wages	290,796	295,932
Total current liabilities	1,795,318	850,065
Long-term liabilities		
Deferred rent	18,133	33,400
Deferred revenue	12,500	-
Total long-term liabilities	30,633	33,400
Total liabilities	1,825,951	883,465
Net assets		
Without donor restrictions	55,714,013	40,975,351
With donor restrictions	22,202,859	14,057,604
Total net assets	77,916,872	55,032,955
Total liabilities and net assets	\$ 79,742,823	\$ 55,916,420

The accompanying notes are an integral part of these consolidated financial statements.

NewSchools Fund and Subsidiary
 dba NewSchools Venture Fund
 Consolidated Statement of Activities
 For the Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains, and other support				
Contributions	\$ 27,348,474	\$ 17,006,472	\$ 44,354,946	\$ 40,388,316
Contributions for fiscal sponsorships	-	14,111,347	14,111,347	14,035,973
Interest income and gains	210,931	-	210,931	751,035
Program service fees	579,903	-	579,903	1,038,006
Gifts in-kind	-	-	-	34,829
Net assets released from restrictions	<u>22,972,564</u>	<u>(22,972,564)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>51,111,872</u>	<u>8,145,255</u>	<u>59,257,127</u>	<u>56,248,159</u>
Functional expenses				
Program services				
Venture funding and support	28,528,004	-	28,528,004	34,531,295
Convening	536,094	-	536,094	1,636,341
Fiscal sponsorships	<u>9,370,346</u>	<u>-</u>	<u>9,370,346</u>	<u>3,494,899</u>
Total program services	<u>38,434,444</u>	<u>-</u>	<u>38,434,444</u>	<u>39,662,535</u>
Support services				
Management and general	3,108,800	-	3,108,800	3,230,163
Fundraising	<u>793,632</u>	<u>-</u>	<u>793,632</u>	<u>709,028</u>
Total support services	<u>3,902,432</u>	<u>-</u>	<u>3,902,432</u>	<u>3,939,191</u>
Total functional expenses	<u>42,336,876</u>	<u>-</u>	<u>42,336,876</u>	<u>43,601,726</u>
Change in net assets from operations	<u>8,774,996</u>	<u>8,145,255</u>	<u>16,920,251</u>	<u>12,646,433</u>
Nonoperating activities in net assets without donor restrictions				
Gain on mission related investments	6,011,095	-	6,011,095	-
Loss on equity investment in NewSchools Seed L.P.	<u>(47,429)</u>	<u>-</u>	<u>(47,429)</u>	<u>(625,506)</u>
Total nonoperating activities in net assets without donor restrictions	<u>5,963,666</u>	<u>-</u>	<u>5,963,666</u>	<u>(625,506)</u>
Change in net assets	14,738,662	8,145,255	22,883,917	12,020,927
Net assets, beginning of year	<u>40,975,351</u>	<u>14,057,604</u>	<u>55,032,955</u>	<u>43,012,028</u>
Net assets, end of year	<u>\$ 55,714,013</u>	<u>\$ 22,202,859</u>	<u>\$ 77,916,872</u>	<u>\$ 55,032,955</u>

The accompanying notes are an integral part of these consolidated financial statements.

NewSchools Fund and Subsidiary
 dba NewSchools Venture Fund
 Consolidated Statement of Functional Expenses
 For the Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	Program Services			Support Services			2020 Total	2019 Total	
	Venture Funding and Support	Convening	Fiscal Sponsorships	Total Program Services	Management and General	Fundraising			Total Support Services
Grants and contracts	\$ 22,963,377	\$ -	\$ 5,295,691	\$ 28,259,068	\$ -	\$ -	\$ -	\$ 28,259,068	\$ 29,750,320
Personnel	4,515,868	120,396	1,282,948	5,919,212	1,372,887	757,945	2,130,832	8,050,044	7,278,716
Professional services	489,503	-	2,732,092	3,221,595	540,484	17,723	558,207	3,779,802	2,258,748
Events and travel	411,903	415,698	33,960	861,561	92,739	2,811	95,550	957,111	2,523,321
General expenses	147,353	-	25,655	173,008	1,102,690	15,153	1,117,843	1,290,851	1,790,621
	<u>\$ 28,528,004</u>	<u>\$ 536,094</u>	<u>\$ 9,370,346</u>	<u>\$ 38,434,444</u>	<u>\$ 3,108,800</u>	<u>\$ 793,632</u>	<u>\$ 3,902,432</u>	<u>\$ 42,336,876</u>	<u>\$ 43,601,726</u>

The accompanying notes are an integral part of these consolidated financial statements.

NewSchools Fund and Subsidiary
 dba NewSchools Venture Fund
 Consolidated Statement of Cash Flows
 For the Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 22,883,917	\$ 12,020,927
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	85,318	121,056
Net realized and unrealized (gain) loss on investments	116,780	(10,117)
Net gain on mission related investments	(6,011,095)	-
Net loss on equity investment in NewSchools Seed, L.P.	47,429	625,506
Contributions and other accounts receivable	(674,453)	(21,861)
Prepaid assets	118,416	(213,548)
Other assets	-	32,750
Accounts payable and accrued expenses	1,162,889	(294,876)
Grants payable	(212,500)	(325,500)
Accrued salaries and wages	(5,136)	(84,196)
Deferred rent	(15,267)	(4,129)
Deferred revenue	12,500	-
Net cash provided by operating activities	17,508,798	11,846,012
Cash flows from investing activities		
Purchases of property and equipment	(65,975)	(28,929)
Purchases of investments	(265,289,494)	(221,368,038)
Proceeds from sale/maturity of investments	275,688,488	206,409,545
Proceeds from sale of mission related investments	7,402,283	-
Contributions to NewSchools Seed, L.P.	(200,000)	(200,000)
Distributions from NewSchools Seed, L.P.	1,035,408	2,905,401
Net cash provided by (used in) investing activities	18,570,710	(12,282,021)
Net increase (decrease) in cash and cash equivalents	36,079,508	(436,009)
Cash and cash equivalents, beginning of year	2,081,473	2,517,482
Cash and cash equivalents, end of year	\$ 38,160,981	\$ 2,081,473

The accompanying notes are an integral part of these consolidated financial statements.

NewSchools Fund and Subsidiary
dba NewSchools Venture Fund
Notes to Consolidated Financial Statements
December 31, 2020

1. NATURE OF OPERATIONS

NewSchools Venture Fund is a nonprofit venture philanthropy founded in 1998 under the laws of the State of California. NewSchools Venture Fund is committed to helping all students – especially those from underserved communities – graduate high school prepared and inspired to achieve their most ambitious dreams and plans. To achieve this vision, NewSchools Venture Fund uses charitable donations to support teams of educators, innovators and parent leaders who are remaining public education. NewSchools Venture Fund also provides management assistance to those ventures and builds the field of visionary leaders in education by organizing events and knowledge-sharing opportunities. NewSchools Venture Fund occasionally serves as the fiscal sponsor to support other education organizations as they launch into new 501(c)(3) organizations.

NewSchools Venture Fund has been the fiscal sponsor of the Advanced Education Research and Development Fund ("AERDF") through December 31, 2020. On October 13, 2020, articles of incorporation were filed to establish AERDF as a California Nonprofit Corporation seeking exemption from taxation under Code Section 501(c)(3) of the Internal Revenue Code. AERDF uses charitable donations to support innovative research and development projects that address teaching and learning challenges that disproportionately impact Black, Latino, and low-income students. On December 18, 2020, NewSchools Venture Fund and AERDF signed an Asset Transfer Agreement to dissolve the fiscal sponsorship agreement, and transfer all related assets and liabilities of AERDF from NewSchools Venture Fund to the newly formed legal entity. NewSchools Venture Fund transitioned from its fiscal sponsorship of AERDF to the newly formed entity in January 2021. AERDF is wholly owned by NewSchools.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles on consolidation

The consolidated financial statements of NewSchools Venture Fund and Subsidiary (collectively, "NewSchools") include the accounts of NewSchools Venture Fund and AERDF. The consolidated statement of financial position, consolidated statement of activities and cash flows as of and for the year ended December 31, 2020 include operations of both the NewSchools Venture Fund and AERDF. There was no activity in AERDF during the year ended December 31, 2020, besides the fiscal sponsorship.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Basis of presentation

The consolidated financial statements are reported according to the existence or absence of donor-imposed restrictions. Accordingly, balances and transactions are reported in the following classes of net assets:

NewSchools Fund and Subsidiary
dba NewSchools Venture Fund
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of NewSchools, and/or the passage of time, or are maintained in perpetuity by NewSchools. When the donor-imposed stipulation ends or NewSchools satisfies an action, NewSchools reclassifies net assets with donor restrictions to net assets without donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. NewSchools reports as reclassifications between the applicable classes of net assets expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed).

Contributions

NewSchools recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return or right of release – are not recognized until the barrier has been overcome. NewSchools conditional promises to give totaled \$7,700,000 as of December 31, 2020.

Consequently, at December 31, 2020, contributions approximating \$7,700,000, have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met. Total conditional contributions depend on meeting the project objectives, performance metrics and/or approval of progress reports. NewSchools considers all contributions to be available for the general programs of NewSchools unless the donor stipulates specific restrictions, such as for a specific program area or sponsored project.

Program service fees

Revenues in this category consist of registration fees as well as fees earned for serving as a fiscal sponsor. At December 31, 2020, NewSchools had recorded other income of \$567,403 in fees earned for serving as fiscal sponsor to AERDF and another \$12,500 as designated to offset costs incurred for Summit 2020.

NewSchools Fund and Subsidiary
dba NewSchools Venture Fund
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

NewSchools records revenue for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. For the year ending December 31, 2020, NewSchools did not receive contributed services meeting the requirement for recognition in the consolidated financial statements.

Grants

Unconditional grants made by NewSchools are accrued as expenses and are recognized in the year in which final grant agreements are signed. Conditional grants are not recorded until the conditions are substantially met.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and money market funds included in a brokerage account.

Investments

Investments in corporate and government bonds and certificates of deposit are reported at fair value, with realized and unrealized gains and losses, interest, and dividends recorded in the consolidated statement of activities.

Mission related investments

Mission related investments consist of non-marketable equity securities and are reported at historical cost unless it can reasonably be expected that NewSchools will suffer a loss on the disposition of an investment, in which case a provision for the loss is made in the year in which the decline in value occurs.

Fair value measurements

NewSchools carries certain assets at fair value.

The fair value is defined as the price that one would receive by selling an asset or paying to transfer a liability in an orderly transaction among market participants at the measurement date. NewSchools classifies its financial assets and liabilities using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

NewSchools Fund and Subsidiary
dba NewSchools Venture Fund
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- *Level 2* - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.
- *Level 3* - Unobservable inputs for the asset or liability that are not corroborated by market data.

Financial instruments

Financial instruments, which are included in NewSchools' consolidated statement of financial position as of December 31, 2020 but not required to be measured at fair value on a recurring basis, consist of cash and cash equivalents, other receivables and assets, and accounts payable. The carrying amounts of these assets and liabilities approximate fair value.

Property and equipment

Property and equipment are stated at cost, or fair value if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets in the range of three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful life or the lease term. Purchases of property and equipment over \$5,000 are capitalized. Renewals and betterments that extend the economic useful lives of the related assets are capitalized. NewSchools expenses as incurred other expenditures for repairs and maintenance.

Deferred revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2020. This is composed of revenue received to host NewSchools' Summit event in a future year.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NewSchools Fund and Subsidiary
dba NewSchools Venture Fund
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

NewSchools has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code ("IRC") Section 501(c)(3) and California Revenue and Tax codes and accordingly, is exempt from income taxes on related business income. Contributions to NewSchools are deductible for income tax purposes under IRC Section 170(b)(1)(A).

NewSchools' current accounting policy is to evaluate uncertain tax positions. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Management evaluated NewSchools' tax positions and concluded that NewSchools had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. NewSchools is no longer subject to income tax examinations by Federal and State tax authorities for tax years before 2016.

Functional expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of NewSchools. The costs of providing various programs and activities have been summarized on a natural and functional allocation basis by NewSchools based on management's estimates.

Measure of operations

The consolidated statement of activities presents the changes in net assets of NewSchools from operating and nonoperating activities. Operating revenues and expenses related primarily to program services, grant activities, and fiscal sponsorships. The portion of investment return related to the external investment portfolio held at fair value is included in operating revenue. Nonoperating activities primarily consist of investment changes on the mission related investments and the equity investment in NewSchools Seed, L.P.

Subsequent events

NewSchools has evaluated subsequent events through April 15, 2021, the date the consolidated financial statements were available to be issued. Between January 4, 2021 and January 27, 2021, AERDF transferred all related assets and liabilities of AERDF from NewSchools Venture Fund to the newly formed legal entity.

No other subsequent events have occurred that would have a material impact on the presentation of NewSchools' consolidated financial statements.

NewSchools Fund and Subsidiary
 dba NewSchools Venture Fund
 Notes to Consolidated Financial Statements
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3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the NewSchools' assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	\$ -	\$ 907,990	\$ -	\$ 907,990
U.S. Government Bonds	-	31,713,225	-	31,713,225
	\$ -	\$ 32,621,215	\$ -	\$ 32,621,215

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Hardware	\$ 204,467
Software	120,808
Furniture and fixtures	263,837
Leasehold improvements	132,059
	721,171
Accumulated depreciation and amortization	(599,941)
	\$ 121,230

Depreciation and amortization expense for the year ended December 31, 2020 was \$85,318.

5. MISSION RELATED INVESTMENTS

Occasionally, NewSchools makes uncollateralized loans and equity investments in nonprofit and for-profit organizations engaged in working to improve public education; and invests in for-profit businesses with a strong potential to improve public education. Investments without readily determinable fair values are reported at historical cost and evaluated for impairment, unless it can reasonably be expected that NewSchools will suffer a loss on the disposition of an investment, in which case a provision for the loss is made in the year in which the decline in value occurs.

In 2020, NewSchools liquidated shares of two entities resulting in a gain of \$6,011,095. NewSchools' remaining equity investments in two entities has a total carrying value of \$326,002 as of December 31, 2020.

NewSchools Fund and Subsidiary
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6. EQUITY INVESTMENT IN NEWSCHOOLS SEED, L.P.

NewSchools is the sole Limited Partner in NewSchools Seed, L.P. ("NewSchools Seed"), with an unrelated third party as General Partner. NewSchools Seed was established to acquire and hold venture capital investments in the entities that were previously part of NewSchools mission related investment portfolio and to make a limited number of new investments. NewSchools' investment in NewSchools Seed is accounted for as an equity method investment in the consolidated statement of financial position. NewSchools contributed capital to NewSchools Seed in the amount of \$200,000 during the year ended December 31, 2020. NewSchools recognized a loss on the equity investment in NewSchools Seed of \$47,429 for the year ended December 31, 2020.

7. CONDITIONAL GRANTS PAYABLE

At December 31, 2020, grant payments totaling \$6,863,000 are contingent upon grantees meeting specific conditions in the future and have not been recorded.

8. LINE OF CREDIT

NewSchools entered into a \$3,000,000 credit line agreement with a bank in April 2018. Interest accrues at the U.S. prime rate as published in the Western Edition of the Wall Street Journal. Under the renewed agreement, the interest rate will be 3.25% per annum. There were no draws outstanding at December 31, 2020. The line of credit is collateralized by substantially all of the assets of the NewSchools. The line of credit has a maturity date of June 13, 2021. NewSchools is required to maintain compliance with certain financial and reporting covenants under the terms of the agreement; NewSchools was in compliance with the covenants at December 31, 2020.

9. NET ASSETS

Net assets consisted of the following:

Undesignated	<u>\$ 55,714,013</u>
Net assets with donor restrictions	
Diverse Leaders	3,744,419
Fiscal Sponsorships	<u>18,458,440</u>
	<u>22,202,859</u>
	<u><u>\$ 77,916,872</u></u>

10. LEASE COMMITMENTS

NewSchools leases offices under non-cancelable operating lease agreements through 2025 with payments increasing to approximately \$66,000 a month.

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Notes to Consolidated Financial Statements
December 31, 2020

10. LEASE COMMITMENTS (continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2021	\$ 544,950
2022	723,825
2023	745,695
2024	767,730
2025	<u>655,650</u>
	<u>\$ 3,437,850</u>

Rental expense for all operating leases totaled \$365,883 for the year ended December 31, 2020.

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, NewSchools recognized total contribution revenue of approximately \$1,373,681 from six members of the Board of Directors of NewSchools.

NewSchools is a 50% owner of NewSchools Capital, LLC (NewSchools Capital) with an unrelated third party. NewSchools Capital was established as a for-profit management company for new venture funds that invest in the education technology market, as well as to serve as a management company for NewSchools' Seed Fund Portfolio of mission related equity investments. The initial capital contribution is included in other assets on the consolidated statement of financial position.

12. CONCENTRATIONS OF CREDIT RISK

NewSchools has defined its financial instruments which are potentially subject to risk as cash and cash equivalents and investments.

During the year ended December 31, 2020, NewSchools regularly held cash deposits in excess of federally insured limits. NewSchools does not believe it is exposed to any custodial credit risk on excess deposits.

NewSchools received \$36,641,347 or 63% of its total contribution revenue from three foundations during the year ended December 31, 2020.

13. RETIREMENT PLAN

NewSchools sponsors a 401(k) Plan which allows for NewSchools to make discretionary contributions of up to 7% of each employee's eligible compensation. NewSchools' contribution was \$379,582 for the year ended December 31, 2020.

NewSchools Fund and Subsidiary
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 Notes to Consolidated Financial Statements
 December 31, 2020

14. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. NewSchools is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations. However, the financial impact and duration cannot be reasonably estimated at this time.

15. LIQUIDITY AND FUNDS AVAILABLE

As part of NewSchools Venture Fund's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, NewSchools Corporate Cash Investment Policy provides guidelines for the management of NewSchools' surplus cash.

NewSchools has short term investments, which consist of certificates of deposit and U.S. government bonds. All investments are considered short term as there are no preventative lockups or restrictions and can be readily liquidated to pay for operating needs.

Quarterly, the Finance Committee of the Board of Directors reviews NewSchools' consolidated statement of financial position and discusses what may be a reasonable cash position to maintain.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2020 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 38,160,981
Investments	32,621,215
Mission related investments	326,002
Investment in NewSchools Seed, L.P.	7,594,392
Contributions and other accounts receivable	<u>758,373</u>
	<u>79,460,963</u>
Line of credit	<u>3,000,000</u>
Less: amounts unavailable for general expenditure within one year	
Mission related investments	(326,002)
Investments in NewSchools Seed, L.P.	(7,594,392)
Deferred revenue	<u>(12,500)</u>
	<u>(7,932,894)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 74,528,069</u>

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dba NewSchools Venture Fund
Notes to Consolidated Financial Statements
December 31, 2020

15. LIQUIDITY AND FUNDS AVAILABLE (continued)

In total, NewSchools has financial assets on hand at December 31, 2020 to cover approximately 19 months of operating expenses based on the 2021 monthly budgeted run rate for all program and support services expense. Excluding grants and contracts expense, which consist of 75% of the total budgeted expense, financial assets on hand will cover 75 months of operating expenses.

Additionally, NewSchools has net assets without donor restrictions to cover approximately 15 months of operating expenditures. As of December 31, 2020, there are \$22,202,859 of net assets with donor restrictions. It is highly probable that all restricted assets will be released within one year given NewSchools' budgeted ratios, where program service expense consists of 89.8% of the 2021 budget.